

ADS 594 - AUDITS OF USAID'S ANNUAL FINANCIAL STATEMENT

Table of Contents

<u>594.1</u>	<u>Authority</u>	<u>2</u>
<u>594.2</u>	<u>Objective</u>	<u>2</u>
<u>594.3</u>	<u>Responsibility</u>	<u>2</u>
<u>594.4</u>	<u>Definitions</u>	<u>3</u>
<u>594.5</u>	<u>POLICY</u>	<u>3</u>
<u>594.5.1</u>	<u>PREPARATION OF USAID'S ANNUAL FINANCIAL STATEMENT</u>	<u>3</u>
<u>E594.5.1</u>	<u>Preparation of USAID's Annual Financial Statement</u>	<u>3</u>
<u>594.5.2</u>	<u>AUDIT OF USAID'S ANNUAL FINANCIAL STATEMENT</u>	<u>3</u>
<u>E594.5.2</u>	<u>Audit of USAID's Annual Financial Statement</u>	<u>3</u>
<u>594.5.3</u>	<u>DISTRIBUTION OF USAID'S AUDITED ANNUAL FINANCIAL STATEMENT</u>	<u>5</u>
<u>E594.5.3</u>	<u>Distribution of USAID's Audited Annual Financial Statements</u>	<u>5</u>
<u>594.6</u>	<u>Supplementary Reference</u>	<u>6</u>

ADS 594 - AUDITS OF USAID'S ANNUAL FINANCIAL STATEMENT

594.1 Authority

- * 1. [Inspector General Act of 1988](#), as amended, Public Law [100-504](#). [Chief Financial Officers \(CFO\) Act of 1990](#)
- 3. [Government Management Reform Act \(GMRA\) of 1994](#)
- 4. [Government Performance Results Act \(GPRA\) of 1993](#), [Public Law 103-62](#)
- 5. [Government Auditing Standards](#) (GAS; also known as Generally Accepted Government Auditing Standards [GAGAS]; also known as the U.S. General Accounting Office [GAO] "Yellow Book"; 1994 revision)
- 6. [Federal Accounting Standards Advisory Board \(FASAB\) Statements](#)
- 7. OMB Bulletin 93-06: Audit Requirements for Federal Financial Statements
- 8. OMB Bulletin 93-18: Audited Financial Statements
- 9. OMB Bulletin 94-01: Form and Content of Agency Financial Statements
- * 10. [OMB Bulletin 97-01: Form and Content of Agency Financial Statements](#)
- 11. The Federal Managers Financial Integrity Act (FMFIA), [Public Law 97-255](#)
- * 12. Federal Financial Management Improvement Act of 1996 (FFMIA), [Public Law 104-208](#)

594.2 Objective

To establish requirements governing the audit of USAID's [Annual Financial Statement](#).

594.3 Responsibility

- 1. The Chief Financial Officer (CFO)
 - a. Ensures that the Agency's Annual Financial Statement is prepared and submitted to the Office of Management and Budget (OMB) and other addressees.
 - b. Establishes policy guidance for Agency financial and program personnel with respect to the preparation of the Annual Financial Statement.
- 2. Office of Financial Management (M/FM)

Prepares USAID's Annual Financial Statement.

3. Office of Inspector General (OIG)

Audits the Agency's Annual Financial Statement.

594.4 Definitions (See [ADS Glossary](#))

ANNUAL FINANCIAL STATEMENT
COMBINING STATEMENTS
GOVERNMENT AUDITING STANDARDS
OVERVIEW OF THE REPORTING ENTITY
PERFORMANCE MEASUREMENT
PRINCIPAL FINANCIAL STATEMENTS
SUPPLEMENTAL FINANCIAL AND MANAGEMENT INFORMATION

594.5 POLICY

The following are the official Agency policies and corresponding essential procedures:

594.5.1 PREPARATION OF USAID'S ANNUAL FINANCIAL STATEMENT

USAID shall prepare annual [Principal Financial Statements](#) and [Combining Statements](#) of Agency financial activity.

E594.5.1 Preparation of USAID's Annual Financial Statement

- * The Office of Financial Management (FM) shall submit complete cumulative interim financial statements to the USAID Office of Inspector General (OIG) within six weeks of the close of each fiscal year quarter. FM will also submit to the OIG USAID's final Annual Financial Statement by December 15 following the close of the fiscal year. This will permit the audit of the Statement to be completed and the resulting report to be issued by the statutorily mandated deadline of March 1 following the close of the fiscal year.

594.5.2 AUDIT OF USAID'S ANNUAL FINANCIAL STATEMENT

USAID's Annual Financial Statement (including the Agency's Principal Financial and Combining Statements) shall be audited.

E594.5.2 Audit of USAID's Annual Financial Statement

- *

The USAID Office of Inspector General (OIG), or independent external auditors under the guidance and direction of the OIG, shall audit USAID's required Annual Financial Statement. The objectives of the audit are to (1) express an opinion on the financial statements, (2) report on internal controls, (3) report on compliance with laws and regulations, and (4) report on compliance of financial systems with the Federal Financial Management Improvement Act (FFMIA).
- *
 - a) The OIG shall audit the Agency's Principal Statements and Combining Statements, and express an opinion as to whether these statements present fairly in all material respects the financial position, results of operations and changes in net position, cash flow, and budget and actual expenses in accordance with OMB bulletins or generally accepted accounting principles, as applicable.
 - b) The audit shall be conducted in accordance with [Government Auditing Standards](#), the provisions of the CFO Act and the implementing provisions of OMB Bulletin No. 93-06.
- *
 - c) The OIG shall obtain an understanding of the Agency's internal controls sufficient to plan the audit; assess control risk for the assertions embodied in the account balance, transaction class, and disclosure components of the financial statements; and determine the nature, timing, and extent of substantive tests for financial statement assertions.
 - d) The OIG shall report the results of its internal control review in the "Auditors Report on Internal Control Structure."
 - e) For performance information, the OIG shall obtain an understanding of the Agency's internal control structure relating to the existence and completion assertions, and assess control risk relative to policies and procedures designed to provide reasonable assurance that data supporting reported performance outcome measures are properly recorded and accounted for to permit preparation of reliable and complete performance information.
- *
 - f) The OIG shall determine whether the Agency has complied with laws and regulations that could have a direct and material effect on the Principal Statements. This determination of compliance shall include, but not be limited to, obtaining an understanding of the process by which the Agency identifies and evaluates weaknesses required to be reported under the Federal Managers' Financial Integrity Act (FMFIA).

g) The OIG shall report the results of its compliance review together with material instances of noncompliance and instances or indications of illegal acts, which could result in criminal prosecution in the "Auditors Report on Compliance."

* h) The OIG shall report whether the Agency's financial management systems comply with the requirements of the FFMIA. FFMIA requires agencies to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

* i) The OIG shall assess whether the information presented in the "[Overview of the Reporting Entity](#)" and "[Supplemental Financial and Management Information](#)" sections of the Annual Financial Statement is materially consistent with the information in the Principal Statements.

* j) The OIG shall issue a Management Letter to Agency management to communicate any conditions identified during the audit that are not included in the required audit reports, but that the auditors consider necessary to communicate.

k) The OIG shall prepare an audit report at the completion of the audit so that the USAID Administrator can submit the audit report to OMB by March 1 following the end of the Agency's fiscal year.

594.5.3 DISTRIBUTION OF USAID'S AUDITED ANNUAL FINANCIAL STATEMENT

The USAID audited Annual Financial Statement shall be distributed to all appropriate recipients.

E594.5.3 Distribution of USAID's Audited Annual Financial Statements

The Office of Financial Management (M/FM) shall submit the audited Annual Financial Statement and auditor's reports to OMB, the U.S. General Accounting Office (GAO) and appropriate Congressional committees.

The audited Annual Financial Statement shall be submitted to OMB by March 1 following the end of the Agency's fiscal year.

594.6 Supplementary Reference - N/A

594_w120502